



Production and Sales Climb to New Heights in 3rd Quarter

Data for the first three quarters of 1999 shows strong growth in both production and sales in Canada. Should this trend continue, and most analysts seem to suggest that it will, 1999 will establish record levels of sales for JAMA Canada member companies. Moreover, with robust demand and strong consumer confidence among North American consumers, output at Honda (HCM), Toyota (TMMC) and CAMI will likely top 575,000 units in 1999, about 175,000 units more than 1998. At the same time, sales in Canada for all Japanese brand vehicles are expected to reach a new record of 360,000 units for the 1999 calendar year. Altogether, it looks like a very good year indeed.

Production

Combined output through the end of September at three Japanese-affiliated auto plants in Canada leapt 54.4% over the previous year to more than 430,000 units, up from 278,000 units in 1998. Expanded operations at HCM and TMMC, as well as

strong demand for Canadian produced cars, minivans and sport-utility vehicles, were key factors in the rise in production.

Motor Vehicle Production in Canada

	Jan-Sept 1999	Jan-Sept 1998	% Change
HONDA (HCM)	197,141	127,827	54.2
TOYOTA (TMMC)	160,172	120,878	32.5
CAMI*	73,000	30,000	143.3
TOTAL	430,313	278,705	54.4

* estimated

Source: JAMA Canada

Motor Vehicle Exports from Canada

	Jan-Sept 1999	Jan-Sept 1998	% Change
HONDA (HCM)	146,256	95,076	53.8
TOYOTA (TMMC)	126,544	89,846	40.8
CAMI*	60,000	25,500	135.3
TOTAL	332,800	210,422	58.2

* estimated

Source: JAMA Canada

Exports The majority of vehicles made in Canada are exported, mainly to the U.S. as a result of industry integration on a North American basis. At the same time, a growing number of vehicles are now being shipped to other countries, including Japan.

Exports mirrored the growth in output through the end of September as shipments climbed 58.2% to 332,000 units, up from 210,000 units in the same nine month period in 1998.

At this point, both production and exports in 1999 are already ahead of the full year totals reached in 1998.

Vehicle Imports (Shipments) to Canada

Imports (Shipments to Canada)

	Jan-Sept 1999	Jan-Sept 1998	% Change
JAPAN	126,790	119,188	6.4
U.S./MEXICO	65,069	76,213	-14.6
TOTAL	191,859	195,401	-1.8

Source: JAMA, JAMA Canada

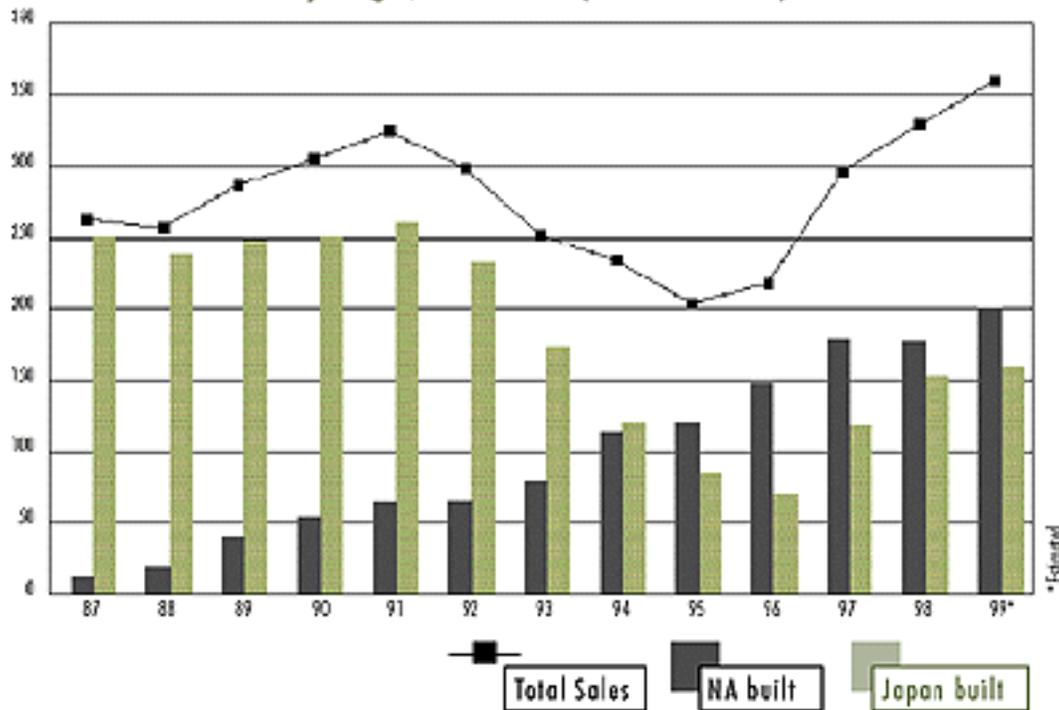
As the vast majority of all Canadian-built vehicles are exported, at the same time the majority of vehicles sold in Canada are imported, particularly in segments not covered by Canadian production.

For the first three quarters of 1999, Japanese brand vehicles from Japan, the U.S. and Mexico slipped 1.8% overall to just under 192,000 units from 195,000 units in the previous year. Shipments from Japan rose 6.4% during the nine month period of 1999 to over 126,000 units, up from 119,000 units in 1998. At the same time, shipments from the U.S. and Mexico (ie: under NAFTA) fell 14.6% to 65,000 units from 76,000 units in the previous year.

Sales

JAMA Canada Member Sales in Canada

By Origin, 1987-1999 (thousand units)



Through the end of the third quarter, light vehicle sales for JAMA Canada members combined showed steady growth, rising to 273,000 units from 251,000 units, up 8.7% over the same period in 1998. Light truck sales exhibited the strongest growth, rising 18.0% to 71,400 units from 60,500 last year; while passenger cars were up 5.7% to 201,700 units. Vehicles built in North America accounted for 121,700

units sold, up 12.9%, while sales of Japan-built models showed moderate growth, up 3.7% to 80,000 units.

Market share for JAMA Canada members' light vehicle sales at the end of September stood at 24.0%, up from 23.4% in 1998.

Motor Vehicle Industry in Japan

Although motor vehicle production in Japan for the first nine months of 1999 is down 1.0% from the previous year to 7.4 million units, output of passenger cars and trucks in September were up 12.4% and 4.6% respectively.

Exports of vehicles for the same period were also down 3.7% to under 3.3 million units compared to 1998; however, total unit shipments to global markets were up 4.3% in September. Exports to the US have increased by 16.9% in unit volume for the year to date due to strong market demand, compared to a 6.4% growth in unit shipments to Canada over the same period.

In the domestic market in Japan, sales/new vehicle registrations are up marginally 0.2% to just under 4.5 million units for the first three quarters of 1999. Import vehicle sales rose 1.3% to 210,457 units in the same period. The growth of sales in Japan of both domestic and import brands, although modest, is a sign that consumer confidence is beginning to return, a necessary condition for a sustained recovery of the Japanese economy.

Visit the JAMA website in Japan at www.jama.or.jp/e_press/index.html for further details.

Motor Vehicle Industry in Japan		
Passenger Cars, Trucks, Buses		TOTAL
PRODUCTION ¹	Jan-Sept '99	7,404,044
	Jan-Sept '98	7,479,759
	% change	-1.0
EXPORTS ²	Jan-Sept '99	3,278,220
	Jan-Sept '98	3,405,608
	% change	-3.7
SALES/ REGISTRATIONS ³	Jan-Sept '99	4,491,114
	Jan-Sept '98	4,480,452
	% change	0.2
IMPORT VEHICLE SALES ⁴	Jan-Sept '99	210,457
	Jan-Sept '98	207,704
	% change	1.3

* (including models built by Japanese automakers overseas)

source: 1,2 - JAMA; 3 - JADA, JMYA; 4 - JAIA

Exports are Important But Invest with the Market



by William C. Duncan, Director General, JAMA Washington Office

There was something significantly new at the Tokyo Motor Show this year and something gone. There was the usual exciting array of new cars with new innovations from all

corners of the globe. This excitement, however, was not new for the Tokyo Motor Show. What was new was the array of statements by global auto executives indicating a greater commitment to the Japanese market. Gone was the pessimism and critical rhetoric so often heard in earlier years. Despite continuing recession in Japan, optimism for new opportunities prevailed. Most prominent were statements by GM and Ford executives that success in Japan requires more local attention and investment.

While calling for local investment is relatively new to the U.S.-Japan auto dialogue, it is not new for the Detroit auto companies. In fact "build where your market is" was the rallying cry of the Big Three during the early 1980s as they urged Japanese companies to switch from imports to US production. The Big Three pointed to their assembly plants in Europe and urged the Japanese to build their own in the U.S. While the Big Three at the time aimed to limit Japanese competition in the US, it turned out that "build where your market is" proved to be good advice to the Japanese companies, who now build in the U.S. two-thirds of the vehicles they sell here. It was also good for the U.S. economy, which benefited from new production technologies, for U.S. consumers who benefited from better quality automotive products across the board, and for U.S. workers who gained jobs.

Exports are indeed an important part of automobile marketing particularly in market niches. DaimlerChrysler has proven this in Japan where its large car sales from Germany have increased 26.9 percent so far this year in a large car market segment that has declined 8.6 percent. Nevertheless, the Detroit companies are correct in recognizing that building a significant position in a market requires local investment either independently or through alliances with established manufacturers.

In today's auto industry, localization is an essential part of globalization. The challenge for all auto companies is to take advantage of the economies of global production while meeting the demands of local taste, geographical requirements, driving conditions, etc. This requires a balance of export strategies and local production in major markets. Meeting this challenge is not easy but nevertheless essential in a world where rapid communication and technological development can lead to sudden changes in consumer demand and the need for quick and effective responses.

Obviously, circumstances differ between the Japanese entry into the U.S. in the 1980s and foreign entry into Japan today. The Japanese companies by the early 1980s had a significant presence in the U.S. The Detroit companies have a relatively minor one in Japan today. Accordingly, exporting to Japan will remain an important marketing strategy as these companies aim for success in Japan's vehicle market. Nevertheless, their strategies will also require market commitment and direct investment. The old Big Three slogan "build where your market is" proved right for the Japanese companies in the U.S. 20 years ago. Today it will prove right for the Detroit companies in Japan.

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Dyna-Mig Manufacturing of Stratford Inc.

The Dyna-Mig auto parts manufacturing plant in Stratford, Ontario was established in early 1997, and is owned 71.4% by F-tech Inc. and 28.6% by Fukuda Engineering Co.



The 13,000 square meter plant, situated on 25 acres, was completed in March 1998. Full production including welding, assembly and painting began in September of the same year. In addition to suspension arms and pedal assemblies, Dyna-Mig makes the full frame for the Suzuki Vitara/GM Tracker built at CAMI's plant in Ingersoll. The CAMI frame line was designed and built by Sanyo Canadian Machine Works Ltd. of Elmira, Ontario.

In November 1998, Dyna-Mig also began painting and packaging service parts, such as side panels and doors for the Civic and Odyssey for Honda of Canada Manufacturing on Alliston. Dyna-Mig began producing pedal arms and brackets for the new Honda Odyssey in May 1999.

Currently there are 180 full time associates at Dyna-Mig including 8 on assignment from F-tech Inc., on two shifts. Now in their second year of production, Dyna-Mig expects annual sales will reach \$70 million in 2000.

Two Canadian Auto Parts Companies Announce New Investments in Japan



First, at the Tokyo Motor Show on October 21st, Mike Schmidt, President of ABC Group, Toronto, announced the opening of ABC Group Japan, Inc., a 25,000 sq. ft. technical centre in Hamamatsu, Japan.

ABC Group Japan will be the design and development centre for ABC customers in Japan for both domestic and global production. The new facility will have CAD (Computer Assisted Design) and FEA (Finite Element

Analysis) capability and will be closely linked to the Corporate Tech Centres in Toronto and Germany. By early 2000, the operation in Hamamatsu will have testing and prototyping capability.

With more than 30 manufacturing, development and sales facilities worldwide, and more than 3,000 employees, ABC Group produces a complete line of thermo-plastic components and systems for automakers around the world. In addition to design and manufacturing plastic components, ABC Group also designs and develops blow moulding equipment and tooling.

Secondly, The Woodbridge Group also announced recently that it is planning its third facility in Japan. The new production facility is slated for the vicinity of Hiroshima with start of production scheduled for mid-2000. The plant will be making rear seat structural polyurethane platforms for a new SUV model, using proprietary technology developed by Woodbridge to make an alternative to traditional metal seating frames.

The new plant will be part of IW Foam Corporation, a joint venture between Inoac and The Woodbridge Group. IWFC has plants in Anjo and Nanno producing automotive moulded polyurethane foam.

Denso Opens Guelph Plant

Denso Manufacturing Canada, Inc. (DMCN) officially opened their first Canadian manufacturing plant on October 5th in Guelph, Ontario. Attending the ceremony with Denso International Corporation President, Hiromu Okabe, and DMCN President, Jim Tsuboi, were special guests Ontario Premier, Mike Harris, Ontario Economic Development and Trade Minister, Al Palladini, local Federal and Provincial Members of Parliament, and the mayor of Guelph, Joe Young.

Capitalized at \$33 million, Denso started producing automotive air conditioners earlier this year for Canadian automakers including Toyota in Cambridge, Honda in Alliston and CAMI in Ingersoll. Currently on one shift with 99 associates, the plant is scheduled to assemble 190,000 a/c units in 1999. When a second shift is added next year, employment will increase to 150 associates and output will expand to an estimated 35,000 a/c units per month.

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